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No. 75

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

ARO MANUFACTURING CO., INC., ET AL., PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE PETITIONERS

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BRIEF FOR THE PETITIONERS

OPINIONS BELOW

The District Court entered final judgment (R. 1-3) without opinion following remand from this Court, 365 U. S. 336. The opinion of the Court of Appeals (R. 79-88) is reported in 312 F. 2d 52, 136 U. S. P. Q. 9. The opinion of the District Court (R. 38-40) denying respondent's motions to supplement the pleadings and modify the order of reference to the Master (R. 33-34) and to enjoin petitioners from selling certain replacement top fabrics (R. 35) is reported at 123 U. S. P. Q. 340.

The opinion of the District Court (I:33-41)[1] incorporated by reference in the interlocutory judgment (I:42-44) is

[1] The Court granted our motion for leave to use the record previously before the Court in No. 21, O. T. 1960, 365 U. S. 336. 372 U. S. 958. This record included printed volumes I, II and III containing pp. 1-403, 405-622 and 623-56, respectively. Reference to these three volumes is by a respective Roman numeral. "R." refers to the printed record in the single bound volume containing pp. 1-75 assembled for the hearing in No. 75 this term.

reported in 119 U. S. P. Q. 122. The opinion of the Court of Appeals (III:647-55) affirming that interlocutory judgment is reported in 270 F.2d 200, 122 U. S. P. Q. 536.

JURISDICTION

The judgment of the Court of Appeals was entered on December 13, 1962 (R. 88-89). The petition for certiorari was filed on February 15, 1963 and was granted April 1, 1963 (R. 94, 372 U. S. 958). The jurisdiction of this Court rests on 28 U. S. C. § 1254(1).

QUESTIONS PRESENTED.

This Court reversed the interlocutory judgment of the Court of Appeals. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336. The Court of Appeals construed the mandate of this Court as not reversing this prior Court of Appeals judgment *in toto* and reinstated a portion of that prior judgment. That prior reversed judgment had ordered an accounting and enjoined petitioners from making, selling and installing unpatented fabrics to replace spent ones in both Ford and General Motors convertibles having automatic folding top assemblies covered by respondent's combination patent.

Upon remand directly from this Court the District Court entered final judgment dismissing respondent's complaint for patent infringement with prejudice and petitioners' counterclaim seeking declaratory and general relief without prejudice. In vacating that final judgment, the Court of Appeals distinguished between General Motors and Ford cars and concluded that petitioners' liability for selling unpatented replacement fabrics for Ford cars depended upon the interpretation of a private agreement between respondent's assignor and Ford. Ford there promised to

pay for a release from liability for patent infringement arising from the manufacture, use and sale of Ford convertibles embodying respondent's combination patent, but respondent's assignor expressly retained and exercised the right to license the manufacture, use and sale of the unpatented replacement fabrics.

The questions presented are:

1. Whether the Court of Appeals could reinstate a portion of its judgment reversed by this Court and confer patent monopoly over some unpatented replacement fabrics when the Court stated:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be.

2. Whether the owner of a Ford Motor Company car could be sued under 35 U. S. C. § 271 for direct infringement (and petitioners for contributory infringement) of the combination patent because he replaced the spent unpatented fabric without the patentee's consent.

3. Whether a private agreement releasing owners of Ford convertibles from liability for infringement of the combination patent, but expressly retaining the right to license the manufacture, use and sale of the unpatented replacement fabrics, authorizes the patentee to thereafter exercise patent monopoly over any of those unpatented replacement fabrics.

4. Whether the Court of Appeals could ignore respondent's inequitable conduct which would have served as an independent basis in support of the final judgment of the District Court favorable to petitioners because the Court of Appeals concluded that the defense of misuse had not

been presented in the prior appeal from the interlocutory judgment when the record was supplemented with material not in the record on the prior appeal from the interlocutory judgment, and the record showed that respondent's formation and acquisition of just a Massachusetts territorial grant in one of two combination patents was for the purpose of suing the Massachusetts petitioners as part of agreeing, combining and conspiring to illegally restrain trade in unpatented replacement fabrics.

5. Whether the construction of Section 271(c) by the Court of Appeals conferring patent monopoly over the unpatented replacement fabrics for Ford Motor Company cars is authorized by Article I, Section 8 of the Constitution when the fabric element itself is not the discovery of an inventor.

6. Whether a final judgment can include an advisory finding, not relevant to deciding the case or controversy between the parties, that the patent is valid.

7. Whether FED. R. CIV. P. 54(c) requires that a final judgment shall grant the relief of recovery of treble damages to which the prevailing petitioners in this patent infringement suit are entitled under the antitrust laws when the petitioners alleged improper restraint of commerce through extension of the patent monopoly in their answer and counterclaim but without a specific request for treble damages.

CONSTITUTIONAL PROVISIONS INVOLVED

The Congress shall have Power . . . To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries. U. S. Const., art. I, § 8.

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States . . . U. S. Const., art. III, § 2.

STATUTORY PROVISIONS INVOLVED

The statutory provisions involved are 35 U. S. C. Sections 112, 271 and 282 of the patent laws and 15 U. S. C. Sections 1-3, 7, 14, 15 and 18 of the antitrust laws. 69 Stat. 282 (1955), 64 Stat. 1125 (1950), 26 Stat. 209 (1890), 38 Stat. 730 (1914). They are printed insofar as pertinent in Appendix A, *infra*, pp. 1a-4a.

FEDERAL RULES OF CIVIL PROCEDURE INVOLVED

Rule 8(a), (f):

(a) Claims for Relief. A pleading which sets forth a claim for relief shall contain . . . a short and plain statement of the claim showing that the pleader is entitled to relief, and a demand for judgment for the relief to which he deems himself entitled. . . .

(f) All pleadings shall be so construed as to do substantial justice.

Rule 54(c):

(c) . . . Except as to a party against whom a judgment is entered by default every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings.

STATEMENT

A. *The Court held respondent's combination patent not infringed by replacing the spent fabric and remanded to the District Court.*

On February 27, 1961 the Court held, without distinguishing between Ford and General Motors cars, that petitioners' manufacture, installation and sale of replacements for spent unpatented fabrics in convertible automobiles embodying respondent's combination patent neither infringed nor contributorily infringed respondent's rights in its Massachusetts Territorial Grant under the combination patent.[2] Respondent then filed a petition for rehearing or alternative motion for amendment or clarification of opinion, urging the Court to revise or clarify its opinion so as to confer patent monopoly over those fabrics sold for Ford cars (R. 57-58), repeating the same contention which respondent had asserted in its brief on the merits.[3] This petition or motion was denied on April 17, 1961.[4] The Court then remanded the case to the District Court for proceedings in conformity with the opinion of the Court and awarded costs in this Court to petitioners (R. 7).

Originally respondent had instituted this proceeding with a complaint charging petitioners with infringement and contributory infringement of a combination patent entitled "Convertible Folding Top with Automatic Seal at Rear Quarter" (I:6-8). Petitioners answered, alleging the invalidity and noninfringement of the patent (I:9-11) and its

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[2] 365 U. S. 336.

[3] *Id.*, Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment or Clarification of the Court's Opinion; Brief for Respondent pp. 73-76.

[4] 365 U. S. 890.

unenforceability arising from improperly extending the scope of the claimed subject matter and improperly restraining commerce (R. 10-12). Further answering by way of counterclaim petitioners sought a declaration of invalidity, a declaration of noninfringement (I:11-12), a declaration that the patent had been misused (R. 67) and included a general prayer for relief (I:12).

B. *The District Court entered a final judgment dismissing respondent's complaint and petitioners' counterclaim, amending to remove a finding that the uninfringed patent was valid and add that the dismissal of the counterclaim was without prejudice.*

On August 29, 1961 following remand from this Court, the District Court entered final judgment holding the patent valid, not infringed or contributorily infringed, dismissing respondent's complaint with costs to petitioners and dismissing petitioners' counterclaim without costs (R. 1-2). This judgment did not include a conclusion sought by the petitioners that the record then before the Court required granting relief to the petitioners for the harm caused by respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (R. 8, 69-70). Questions arising under the patent and antitrust laws served as a basis for invoking the jurisdiction of the District Court.

On September 8, 1961 petitioners moved for an amendment of this judgment (R. 9). In response to this motion the District Court entered an amended final judgment on February 16, 1962 removing the finding of validity from the final judgment and expressly stating that the dismissal of petitioners' counterclaim was without prejudice (R. 2-3).

Respondent appealed from the refusal of the District Court to confer patent monopoly over the unpatented fabrics for replacing the spent ones in Ford Motor Company cars, and petitioners cross-appealed from the refusal of the District Court to grant relief to the petitioners for harm caused by respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (R. 8, 69-70) established by the record.

C. *The Court of Appeals vacated the District Court judgment, concluded its prior judgment had not been reversed in toto by this Court, and conferred patent monopoly over replacement fabrics for Ford cars for a period dependent upon a private agreement between respondent's assignor and Ford.*

The Court of Appeals vacated the judgment of the District Court on December 13, 1962 (R. 88-89) and said:

> The puzzling question is whether the Supreme Court in reversing this Court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.
>
> What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars (R. 85).

The Court of Appeals appears to have concluded that since General Motors, the original owner of the combination patent, had not licensed the Ford car owner to use the whole patented combination, the Ford car owner must obtain the patentee's consent to replace the spent fabric and to use the replaced unpatented fabric element, citing six lower court decisions (R. 85-86 n.5), the most recent one

decided four years before *Mercoid*.[5] As in its prior opinion (III:647-655), the Court of Appeals again failed to mention either of the *Mercoid* cases (R. 79-88) and concluded

> that our previous decision in this case was not reversed, insofar as unlicensed Ford cars are concerned (R. 87).

The Court of Appeals made reference to a critical date (R. 85 n.3) in a private agreement between respondent's assignor and Ford (DX DD; I:241, II:510-13)[6] in suggesting that the extent of petitioners' liability depended upon the construction of this private agreement first made available to petitioners after respondent commenced this action. Ford there agreed to pay $73,000.00 in exchange for a release from liability for alleged infringement of both the Mackie-Duluk patent (PX 1; I:104, II:589-95) and the Ackermans convertible automobile automatic folding top combination patent (DX GG; I:267, II:567-78) arising from manufacture, use and sale of Ford Motor Co. convertible automobiles. Respondent's assignor expressly reserved "the right to license . . . the manufacture, use and sale of replacement top fabrics" under both combination patents (II:512).

The Court of Appeals refused to consider the issue of respondent's inequitable conduct on this appeal from the final judgment as an alternative basis for supporting the judgment of the District Court dismissing respondent's complaint for alleged patent infringement. While the Court of Appeals acknowledged that petitioners had argued patent misuse orally and in their brief (R. 82), it explained

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[5] *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661; *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680 (1944). The only decisions of the Court, other than *Aro*, cited by the Court below relate to the patentee's right to exclude both manufacture and use of the patented product (R. 85 n.4) as distinguished from the patentee's right to patent monopoly over an unpatented element of the patented combination treated in *Mercoid* and *Aro*.

[6] "PX" and "DX" refer, respectively, to respondent's (plaintiff below) and petitioners' (defendants below) exhibits.

that it did not consider any question of respondent's patent misuse on the prior appeal because it concluded that the statement of the questions involved did not set forth or necessarily suggest any such question and the printed portions of the pleadings and the joint record appendix on that appeal did not include the allegations of misuse set forth in petitioners' answer and counterclaim (R. 82, 10-12, 67).

The Court of Appeals did not discuss the constitutional problem involved in its construction of 35 U.S.C. § 271(c) as conferring patent monopoly over some unpatented replacement fabrics for Ford cars. We had urged as an alternative basis in support of the judgment dismissing respondent's complaint that since the fabric element was not the discovery of an inventor as required by the Constitution, any construction of the statute conferring patent monopoly over any unpatented fabric element was unconstitutional.

Without discussing whether the record supported petitioners' assertion that respondent, its assignor and its assignor's licensees had agreed, combined and conspired to restrain trade in a not insubstantial volume of unpatented replacement fabrics and harmed petitioners, the Court of Appeals said that the short answer to petitioners' claim as appellants below for relief under FED. R. CIV. P. 54(c) for antitrust law violations was that petitioners had never pleaded a cause of action under the antitrust laws (R. 87).

Petitioners had alleged in their answer and counterclaim that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained

commerce (R. 10-11)." The counterclaim included a specific prayer for a declaration that the patent had been misused (R. 67) and a general prayer for relief (I:12) but did not include an explicit request for treble damages.

The Court of Appeals acknowledged that the provisions of FED. R. CIV. P. 54(c) providing that every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in its pleadings, should be construed broadly to grant a prevailing party substantial justice. But it thought that rule should not be so liberally construed as to conflict with the pleading requirements set forth in FED. R. CIV. P. 8(a) and affirmed that portion of the judgment of the District Court dismissing petitioners' counterclaim without prejudice (R. 88).

D. *Respondent moves in this Court to keep the Court from considering certified record portions related to petitioners' claim of misuse and violation of the anti-trust laws.*

On April 1, 1963 the petition for certiorari was granted and accompanied by an order directing that the duly certified copy of the transcript of the proceedings below which accompanied the petition be treated as though filed in response to such writ (R. 94, 372 U. S. 958). On July 16, 1963 respondent filed a motion to settle record seeking an order that the Clerk of this Court be directed to exclude from the printed record to be used by the Court certain items in the duly certified copy of the transcript of the proceedings below and that the Court declare that these items do not comprise a portion of the record before the Court. As an alternative, respondent moved that this Court submit respondent's request to the court below for determination.

Respondent had previously asked the court below (R. 73-77) to strike the same items from the record (in addition to every other item in our record appendixes below and every portion of our briefs as appellees and appellants below making reference to the record appendixes). The Court of Appeals denied that motion, but expressly gave respondent leave to renew the motion in its brief, at the oral argument or upon taxation of costs (R. 77). Respondent never renewed its motion to strike. Previously, on April 27, 1962 respondent had joined with petitioners in filing joint motions in both appeals that either party could refer to any of the record appendixes in Appeal Nos. 5488 (the appeal reviewed by this Court during the October 1960 term), 5991 and 5993 (the appeal and cross-appeal now being reviewed).[7]

Petitioners filed a memorandum in opposition to respondent's motion to settle record on August 25, 1963, setting forth in detail the correspondence among counsel, the First Circuit Court of Appeals Clerk and Mr. Cullinan of this Court. On October 14, 1963 the Court postponed further consideration of respondent's motion until the hearing of the case on the merits.[8]

[7] The printed record (R. 72) reproduces only the joint motion in respondent's Appeal No. 5991 below, but a similar motion was filed in Appeal No. 5993, and the order of April 27, 1962 allowing these motions refers to "joint motions" (R. 72)."

[8] Since the statement in that memorandum includes facts, reasoning and law believed to be pertinent in deciding respondent's motion, we rely primarily on the position set forth in that memorandum. The postponement is noted in 32 U. S. L. WEEK 3137.

E. *The two combination patents which petitioners were charged with infringing cover a combination of unpatented elements in a convertible automobile, one element in each combination being the fabric.*

General Motors Corporation was granted the Mackie-Duluk combination patent No. 2,569,724 in suit on October 2, 1951 (PX 1; I:104, II:589-95) entitled "Convertible Folding Top with Automatic Seal at Rear Quarter." The combination claimed as the invention is illustrated in FIG. 1 of the patent (II:589) and includes, a folding bow structure **1** supported on an automobile body **4**, the fragmentarily illustrated flexible top material or fabric **20** supported by the folding bow structure **1** and extending downwardly at the sides toward the rear where the lower portion **28** of the fabric is connected to a rain trough **22**, and a wiping arm **10** operatively connected to the folding bow structure so that it rises from a position outlined by dashed-dotted lines to press the flexible material **20** into sealing contact with an inside surface of the automobile body **4** when the top is raised as shown in FIG. 2 of the patent to keep water from entering at the rear quarter. Neither the patent (II:594-95) nor the application (PX 2; I:104, II:405-459) ever included a claim that the fabric or its shape, pattern or design constituted the invention. Petitioners manufactured, for replacement purposes only, the unpatented fabric portion designed to fit the models of convertibles equipped with automatic folding tops embodying the combination covered by the patent in suit for both General Motors and Ford Motor Company cars (I:33, III:648, R. 89-90).

Although respondent brought suit on only the Mackie-Duluk patent, its assignor also charged petitioners with contributory infringement of the Ackermans combination patent (PX 9a; R. 26, II:473-74), upon which General Motors

had been sued for direct infringement.[9] That patent was granted to Ackermans on April 17, 1951 (DX GG; I:267, II:567-78) and entitled "Folding Top for Automobiles". It also relates to a convertible-type automobile automatic folding top. Of the claims including the fabric as an element of the combination claimed, claim 7 (II:576) is probably the broadest and calls for a combination of elements illustrated in Figs. 9-10 of the drawing (II:571): Claim 7 recites the combination, in a vehicle body having a side structure **122** terminating in a belt line **120**, **121**, of flexible top material **126** having the rear portion of its lower edge secured to the body adjacent the belt line **120**, such as by the belt molding **132** serving to secure the lower edge of the rear portion of the top material **126** permanently in place, as indicated at **123** (Fig. 9) and having the forward portion of the flexible top material lower edge forming a prolongation or flap **130** extending downwardly within the vehicle body below the belt line **121**, a lateral cushion or seal **128** carried by the prolongation **130**, a folding pillar **22** hinged to the vehicle body on a main top pivot **24** and secured to the top material **126** to exert forward pull on the material and press the cushion **128** attached to the prolongation **130** against an inner part of the vehicle body side structure **122** when the top is in the up position to minimize the seepage of water through the juncture between the top and the body of the vehicle. Like the Mackie-Duluk combination patent in suit, none of the 18 claims (II:576-78) claims that the fabric or its shape, pattern, design or the fabric **126** with the cushion **128** attached to the prolongation **130** constitutes the invention.

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[9] *Ackermans v. General Motors Corp.*, 202 F. 2d 642 (4th Cir.), *cert. denied*, 345 U. S. 996 (1953) reversed the Maryland District Court's finding of lack of invention. 108 F. Supp. 368 (D. Md. 1952).

F. *Respondent's assignor was formed, acquired both combination patents as essentially its only assets, and licensed the manufacture, use and sale of unpatented replacement fabrics under both combination patents.*

We turn now to a consideration of how respondent's assignor acquired both these combination patents and employed them to license the manufacture, use and sale of unpatented replacement fabrics, fabrics which neither patent claimed as the invention. The first step was the organization of respondent's assignor as a Maryland corporation in May 1953 (I:101) essentially as a patent holding company (R. 19). It acquired the Ackermans patent and all rights for past infringement from Ackermans (DX DD; I:241, II:510). After this Court had denied on June 15, 1953, the petition for writ of certiorari filed by General Motors, 345 U. S. 996, respondent's assignor acquired the Mackie-Duluk combination patent in suit from General Motors during the settlement of this case allegedly for the sum of $80,000.00 (PX 9a; R. 26, II:473) on December 30, 1953 (DX-CC; I:241, II:509).

Three days later William D. Hall, the patent lawyer of respondent's assignor (and partner of respondent's counsel [R. 25]) wrote a letter to petitioner Aro dated January 2, 1954 saying:

> . . . It is obvious, from the foregoing and from an inspection of the convertible automobile sold by the Ford Motor Company, that anyone selling ready-made replacement fabrics for these automobiles would be guilty of contributory infringement of said patents. We understand that you have been selling such fabrics and also ready-made fabrics for General Motors convertibles. If this be the case, you have, therefore, been guilty of contributory infringement of the aforesaid Ackermans Patent 2,549,153.

* * *

> We are willing to grant you or your suppliers a license under both of the aforesaid patents for a 5% royalty. The royalty is to be computed on only those replacement fabrics which would constitute contributory infringement if sold without the patentee's consent (PX 9a, R. 26, II:473-74).

Petitioner Aro changed its fabric construction after consultation with its counsel and through a letter dated May 10, 1954 from its counsel refused to accept an offer for a license to sell unpatented replacement fabrics (PX 9d; R. 26, II:475-76).

More than a year later respondent's assignor released the Ford Motor Company and users of its products of all claims that it might have against Ford or its customers for infringement of either combination patent "arising out of the manufacture, use or sale of devices disclosed" in these patents and manufactured before December 31, 1955, other than "replacement top fabrics" licensed under paragraph 3 of that agreement (DX DD; I:241, II:510-11). Paragraph 3 required Ford to pay royalties under both combination patents for the sale of unpatented "replacement fabrics which, if sold without the patent owner's consent, would constitute contributory infringement of one or more of said two patents, under 35 United States Code, § 271 (II:511-12)". Ford paid such royalties to respondent's assignor (I:31-32, R. 15-16). William D. Hall, the patent lawyer for respondent's assignor, when questioned about this agreement, testified that "we would have the right to arrive at royalty and otherwise consider as patented the replacement top . . . because any release that was granted obviously runs out when the original fabric wears out and is replaced (R. 25)."

The consequent demand for replacement fabrics has given rise to a substantial industry in which petitioners

(I:34) and Atlas International, the first replacement fabric manufacturer licensed by respondent's assignor (I:31, R. 31) are nationally prominent in this competitive business (R. 55). Respondent's assignor and Atlas entered into an agreement licensing unpatented replacement fabrics a year and a half after petitioner Aro refused to enter such an agreement. The agreement dated November 10, 1955 (Wright Dep. Ex. 4; R. 26, I:338, II:617-22) required Atlas to pay a royalty on the sale of each unpatented replacement fabric for use in all 1950-54 General Motors cars, all 1953-54 Ford Motor Company cars, all 1953 Chrysler Corporation cars and "[a]ny model of car after the 1955 model where the manufacturer of the car marks one or more of the . . . [Ackermans and Mackie-Duluk] patent numbers on new cars of that model or pays royalty on the replacement top fabric that it sells for that model" "without regard to whether such top is covered by either of said patents (II:617-18)."

Atlas complained to respondent's assignor that it was paying royalties while its competitors were not (PAX 2; R. 52, 50, 32).[10] William D. Hall wrote letters on behalf of respondent's assignor to other sellers of replacement fabrics in addition to the letter sent to petitioner Aro in January 1954 (PX 9a; R. 26, II:473-74), accusing them of infringing both combination patents (R. 19-20, 22-23). A letter dated August 28, 1956 stated that the accused "infringer" could "eliminate any question of infringement" by purchasing replacement fabrics alleged to infringe these combination patents from Atlas (R. 16-18). Sears Roebuck Co. purchased its replacement fabric requirements from Atlas (R. 23).

[10] "PAX" and "DAX" refer to respondent's (plaintiff below) and petitioners' (defendants below) exhibits, respectively, received into evidence by the Master during accounting hearings conducted in the fall of 1959 in accordance with the order in the interlocutory judgment of the District Court (I:43) held before the Court granted certiorari on February 29, 1960 (III:656). Respondent has moved to strike all evidence received during these accounting hearings.

G. *In one month, respondent was formed, acquired only a "Massachusetts Territorial Grant" in only the Mackie-Duluk patent, and commenced this suit in Massachusetts.*

Less than six months after the agreement with Atlas and nearly two years after petitioner Aro refused a license from respondent's assignor to manufacture, install and sell unpatented replacement fabrics, respondent was formed as a Maryland corporation (I:6) on April 5, 1956 (R. 13). Twelve days later respondent acquired a "Territorial Grant" limited to the Commonwealth of Massachusetts in only the Mackie-Duluk combination patent from its assignor (I:7). Its assignor retained the rights in every other state in this combination patent and kept the whole interest in the Ackermans combination patent. Ten days later on April 27, 1956 respondent commenced this action (I:1).

Elliott I. Pollock and William D. Hall, patent lawyers for respondent and its assignor, are law partners (R. 31, 25). Respondent's president and one of its three stockholders is Mrs. Pollock (R. 13, 22). Her residential address and respondent's business address are the same (R. 13). A second stockholder and its secretary is Douglas G. Carlson (R. 13).[11] Its third stockholder and treasurer is Norman E. Quible (R. 13), the accountant for respondent's assignor (R. 21). Respondent has derived no income from the patent in suit, nor has it disclosed any source of any income (R. 13-14, 29-30, 35) or any asset other than a bank account of $140.50 and the patent in suit (R. 58-59).

[11] The Journal of the Patent Office Society for August 1962 carried an advertisement on the inside of the back cover, announcing the availability of the services of Douglas G. Carlson as a patent draftsman.

H. *Respondent's assignor, in agreement with respondent, licensed other replacement fabric manufacturers after the District Court's interlocutory judgment, in part to satisfy Atlas that its competition was paying also.*

After the interlocutory judgment of the District Court (I:42-44) but before that judgment was affirmed by the Court of Appeals, respondent and its assignor agreed in early 1959 that respondent's assignor could license other replacement fabric manufacturers under both combination patents and collect royalties from the sale of unpatented replacement fabrics (R. 30, 35, 36-37). Respondent's assignor then pressed other replacement fabric manufacturers to take licenses, among other reasons to satisfy Atlas that its competition was paying also. Respondent's assignor entered into license agreements with Ohio, New York, Virginia and Massachusetts replacement fabric manufacturers (R. 32) calling for royalty payments on the sale of unpatented replacement fabrics (*E.g.*, DAX B-4; R. 54, 41-48). Each of these license agreements expressly refused to release any claim that either respondent or its assignor had or might have arising from this suit against the petitioners (*E.g.*, R. 48).

J. *Ten days after the Court of Appeals affirmed the interlocutory judgment, respondent obtained the remaining United States rights in the Mackie-Duluk patent from its assignor, but the District Court refused to let respondent supplement its complaint to recite this acquisition, denied respondent's motion for a perpetual injunction, and postponed consideration of respondent's alleged inequitable conduct.*

The Court of Appeals affirmed the interlocutory judgment of the District Court on August 31, 1959 (III:656).

Ten days later respondent's assignor assigned the remaining United States rights in the Mackie-Duluk combination patent to respondent on September 10, 1959 (PAX 1; R. 51-52, 26-29). Two weeks later respondent moved on September 24, 1959 to enjoin petitioners from selling certain unpatented replacement fabrics (R. 5, 35). Respondent also filed a motion to supplement its pleadings to recite its recent acquisition of the remaining United States rights in the Mackie-Duluk combination patent (R. 33-34). Respondent explained that it was not in a financial position to acquire complete title until very recently because its assignor "placed a high value on the complete patent rights, and the financial assets of Plaintiff permitted acquisition of only a territorial right." Since other replacement fabric firms settled with respondent's assignor after the interlocutory judgment of the District Court, the "remaining value of the patent in suit thereby diminished appreciably wherefore Plaintiff's financial position permitted acquisition of these diminished rights (R. 33-34)."

On October 27, 1959 the District Court refused to enjoin the petitioners from selling the unpatented fabrics and denied respondent's motion to supplement its pleading (R. 38-40), saying:

> While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plaintiff's ingenuous-appearing explanations [R. 33-34] as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over (R. 38-39).

While the District Court did not at that time decide whether respondent's inequitable conduct barred it from recovering, the District Court made the observation

> that any judgment in the present suit in plaintiff's favor will not mean that a later action on its new

rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent (R. 39).

K. *The District Court stayed the accounting over respondent's objection after this Court granted certiorari, and the Court reversed the interlocutory judgment.*

After this Court granted certiorari on February 29, 1960 (III:656), 362 U. S. 902, petitioners moved to stay the accounting (R. 6). Respondent was unwilling to agree to this stay without petitioners posting a bond, although respondent estimated that its reasonable expected recovery would be of the order of $50,000.00 and that if petitioners' business building and residential homes attached by respondent (I:3-4) were as represented by petitioners' counsel, the value of the attached property was $100,000.00 (R. 56-57). The District Court stayed the accounting on April 15, 1960 (R. 6-7). The special master had already reported on January 20, 1960 that all testimony and documentary evidence of the accounting had been received (R. 6).

This Court reversed the interlocutory judgment, holding that there can be no direct infringement (and hence, of course, no contributory infringement) of a combination patent by replacement of any of the components of the patented entity unless (1) such component is itself separately patented or (2) the entire entity is rebuilt at one time. Since the fabric element was not itself separately patented, and since it constituted but one part of the patented combination, the Court concluded that petitioners' supplying of such fabrics for replacement on cars equipped

with the patented combination did not as a matter of law constitute contributory infringement.[12] The Court stated:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be. 365 U. S. at 345.

L. *Except for a small bank account, respondent's only asset is the patent in suit, and its liabilities are primarily attributable to this patent and this suit.*

Following receipt of the judgment of this Court in the District Court on April 21, 1961, respondent answered a request from the District Court for information on its financial condition by stating that it had $140.50 in the bank, "carried" the patent in suit on its books at the net value of approximately $27,900.00 against which there are unidentified contractual liabilities of $32,000.00 and that it has an "accumulated operating deficit, primarily attributable to the instant suit" of approximately $10,500.00 (R. 58-59). In addition to the exchange of rights under the Mackie-Duluk patent set forth above flowing between the two corporations, at least $10,000.00 of the "contractual liability" of respondent is to its assignor. This sum was originally due for payment on June 1, 1958 but the time for payment was extended (R. 20). Insofar as the record shows this sum has never been paid. William D. Hall testified that respondent's assignor, which he represents (PAX 2; R. 52, 31), is entirely distinct from respondent (R. 24), represented by his law partner (R. 25).

[12] 365 U. S. 336, 370 (dissenting opinion of MR. JUSTICE HARLAN).

M. ***Petitioners informed the District Court that even after the reversal by this Court and the assignment of all rights in the Mackie-Duluk combination patent to respondent, respondent's assignor demanded royalties under this patent for selling replacement fabrics.***

Petitioners informed the District Court that even after this Court had handed down its opinion on February 28, 1961, correspondence on the letterhead of Moore & Hall over the signature of William D. Hall demanded payment of royalties to the licensing corporation on the sale of certain unpatented replacement fabrics for installation in 1952-54 Ford Motor Company cars under the Mackie-Duluk patent, although respondent's assignor did not then own this patent, and on replacement fabrics with a "cushion" for installation in 1950-54 Ford Motor Company and General Motor cars under the Ackermans combination patent, claiming such payments were required by agreements licensing the sale of the unpatented replacement fabrics (R. 62-63). In a letter dated November 8, 1961 to District Judge Julian, also on the letterhead of Moore & Hall, Elliott I. Pollock disclaimed "familiarity" with such correspondence (R. 64).

Petitioners also informed the trial court that a letter dated September 12, 1961 on the letterhead of Moore & Hall over the signature of Elliott I. Pollock stated:

> . . . Plaintiff is convinced that there is no merit in Defendants' contentions regarding the antitrust law, but even if you should be otherwise persuaded, it should by now be clear to you that even if you were to somehow prevail on this issue, any judgment entered against Plaintiff would be of little monetary value to the Defendants (R. 63).[13]

[13] Respondent wrote a letter to District Judge Julian characterizing our quoting this paragraph as "reprehensible" because the letter also included a

(Footnote continued on following page)

N. *Respondent and its assignor claimed patent monopoly over more than $2,000,000.00 worth of unpatented replacement fabrics.*

The record shows that respondent and its assignor sought to exercise monopoly rights over at least $2,321,687.40 worth of unpatented fabrics. $796,500.00 of this sum represents the amount of replacement fabrics manufactured and sold by petitioners from 1954 to 1958 which respondent claimed patent monopoly over during the accounting proceedings (R. 53-54, 56, 68). The remainder of this sum is determined by taking the sum of the royalty payments which respondent admits its assignor received (I:31, 32, R. 32) and dividing that sum by 0.05, corresponding to the maximum 5% royalty which respondent's assignor taxed its licensees.[14] This sum excludes the dollar volume of replacement fabrics sold by Rayco, a relatively large concern sued by respondent's assignor. The suit was settled on essentially the same terms as the Atlas agreement (R. 32).

(Footnote continued from preceding page)

settlement proposal (R. 64-65). We explained in the court below that while evidence of the settlement offer may not be admissible, many decisions regard all statements of fact made in connection with it as admissions if the offeror is a party to the action. MORGAN, BASIC PROBLEMS OF EVIDENCE 186 (1957 ed.) refers to 80 A. L. R. 914, 919 (1923) for numerous cases. *N. Y. Cent. R. R. v. Central New Eng. Ry.*, 264 Mass. 128, 153-154, 162 N. E. 324, 332 (1928), *aff'd on federal questions sub nom. Central New England Ry. v. B. & A. Ry. Co.*, 279 U. S. 415 (1929).

[14] The total royalties on the sale of unpatented replacement fabrics includes $49,095.03 from Atlas for the period from January 1, 1956 through June 30, 1959, $12,000.00 from the Ohio, New York, Massachusetts and Virginia replacement fabric manufacturers licensed in about April 1959 (PAX 2; R. 52, 32), $14,800.00 from General Motors and $364.34 from Ford in 1956 and 1957 (I:31) for total royalties of $76,259.37. Dividing this sum by the decimal equivalent of the 5% royalty in the license agreements (R. 42-43, II:474, 511) yields a quotient of $1,525,187.40 as the minimum dollar volume of replacement fabrics over which respondent's assignor exercised patent monopoly. Adding the $796,500.00 worth of replacement fabrics manufactured by petitioner Aro (14% over $698,000.00) from 1954 to 1958 (R. 53-54, 56, 68) over which respondent itself sought to exercise patent monopoly yields $2,321,687.40 as the minimum dollar volume of replacement fabrics over which respondent and its assignor claimed patent monopoly over by virtue of the two combination patents.

O. *Evidence of petitioners' legal fees in connection with this litigation.*

While the record does not show the total money damages incurred by petitioners resulting from the activities of respondent and its assignor, the petitioners' accountant testified under oath in November 1959 on direct examination by respondent's counsel, that the legal fees charged to the petitioners in connection with this litigation then amounted to $11,065.96 (R. 69).

SUMMARY OF ARGUMENT

The Court held that petitioners neither infringed nor contributorily infringed respondent's combination patent by manufacturing, selling or installing unpatented replacement fabrics in reversing the interlocutory judgment of the Court of Appeals dealing with replacement fabrics for both Ford and General Motors cars. The Court ruled:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent, is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 345 (1961).

The replacement fabric for a Ford car is not itself separately patented. The Court thus finally disposed of respondent's rights to patent monopoly over unpatented replacement fabrics without regard to whether they replaced spent ones in Ford or General Motors convertibles. The Court of Appeals was foreclosed from re-examining the grounds of the Court's disposition. *N. A. A. C. P. v. Alabama*, 360 U. S. 240, 244-45 (1959); *Sibbald v. United States*, 12 Pet. 488, 492 (1838).

Since respondent's assignor could not sue owners of Ford cars for direct infringement (and hence petitioners

for contributory infringement), respondent cannot stand in any better position merely because its assignor had expressly reserved and exercised a claimed "right" to license the manufacture, use and sale of the unpatented replacement fabrics in a private agreement with Ford. If there is anything that this Court made clear, it is that the combination patent monopoly cannot be expanded by contract to cloak an unpatented element of the patented combination with protection as effective as if a patent had been issued on that element. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661, 667 (1944).

The inequitable conduct of respondent in agreeing, combining and conspiring with its assignor in a scheme involving the manipulation of combination patent rights to restrain trade in unpatented replacement fabrics not only bars respondent from maintaining any action for direct or contributory infringement, but also violates the antitrust laws. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661. The replacement fabrics are unpatented goods. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 339. The efforts by respondent and its assignor to bring the unpatented replacement fabrics within the scope of the two combination patents and control competition in replacement fabrics plainly violates the antitrust laws, and petitioners are entitled to be relieved against the consequences of those acts. *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684.

Even if respondent's expansion of the combination patent monopoly to embrace unpatented replacement fabrics had not amounted to a violation of the antitrust laws, this expansion is misuse of the combination patent and serves as an independent basis supporting the judgment of the District Court dismissing respondent's complaint for pat-

ent infringement. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942). Respondent breached the uncompromising duty of a patentee to keep the scope of the patent within its legitimate bounds. *Precision Co. v. Automotive Co.*, 324 U. S. 806, 816 (1945). This breach of duty is aggravated here by using this shell corporation respondent as a sword for the real parties in interest to bring this suit against only these petitioners while acting as a shield from liability by leaving petitioners an assetless shell incapable of even paying the costs assessed two years ago by this Court. The Court below erred in refusing to even look at respondent's inequitable conduct as a basis for supporting the final judgment dismissing respondent's complaint because it is well settled that petitioners, as appellees below, could point to any portion of the record and urge any grounds in support of the District Court judgment in their favor. *E.g., Jaffke v. Dunham*, 352 U. S. 280 (1957); *Anderson v. Atherton*, 302 U. S. 643 (1937); *Langnes v. Green*, 282 U. S. 531, 538-39 (1931); *United States v. American Ry. Exp. Co.*, 265 U. S. 425, 435 (1924). This rule applies even if petitioners had not raised the point on a prior appeal from an interlocutory judgment. *United States v. U. S. Smelting Co.*, 339 U. S. 186, 198-99 (1950).

Petitioners pleaded a cause of action under the antitrust laws by alleging that respondent's assignor had improperly extended the scope of the claimed subject matter and had improperly restrained commerce through a licensing agreement. *Foman v. Davis*, 371 U. S. 178, 182 (1962). It is immaterial that petitioners' pleading did not include a specific prayer for treble damages because FED. R. CIV. P. 54 (c) expressly provides that "Every final judgment shall grant the relief to which the party in whose favor it is

rendered is entitled, even if the party has not demanded such relief in his pleadings." The Court of Appeals erred in concluding that the provisions of FED. R. CIV. P. 8(a), which require the pleader to state what relief he thinks he should get at the time he files his pleading, override the provisions of Rule 54(c), which require the Court to give the prevailing party the relief to which he is entitled based on the law applied to the facts established by the record at the time the court enters final judgment.

Since for any of the reasons advanced in support of the final judgment of the District Court dismissing respondent's complaint, respondent is barred from maintaining an infringement action, the validity of respondent's patent is a hypothetical question. The District Court correctly removed the finding of validity from the final judgment. *Elec. Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241 (1939). To hold a patent valid when it is not infringed is to decide a hypothetical question. *Altvater v. Freeman*, 319 U. S. 359, 363 (1943).

The Constitution gives Congress the power to confer exclusive rights for a limited time in only the discovery of an inventor. U. S. Const., art. I § 8. Whether the subject matter over which an exclusive right is sought meets the requirement that it be the discovery of an inventor is measured by a constitutional standard. *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885). There is no constitutional authority for giving a combination patent additional value by bringing into its monopoly all or any of its unpatentable parts. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661, 680 (dissenting opinion of MR. JUSTICE JACKSON). The fabric element of respondent's combination patent does not meet the constitutional requirement that it be the discovery of

an inventor. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 361-62 (concurring opinion of MR. JUSTICE BLACK).

ARGUMENT

I. THIS COURT RULED THAT RESPONDENT'S COMBINATION PATENT CONFERRED NO MONOPOLY RIGHTS OVER ANY KIND OF UNPATENTED REPLACEMENT FABRIC IN REVERSING THE INTERLOCUTORY JUDGMENT OF THE COURT OF APPEALS DEALING WITH REPLACEMENT FABRICS FOR BOTH FORD AND GENERAL MOTORS CARS.

This Court rejected the argument first advanced in respondent's brief on the merits and then advanced in its petition for a limited rehearing or alternative motion for amendment or clarification of opinion[15] that even if it were not entitled to patent monopoly over replacement fabrics for General Motors cars, it was entitled to monopoly rights over the unpatented replacement fabrics for installation on Ford cars. But since a replacement fabric for a Ford convertible is no more than an unpatented element of the combination claimed in the patent as the invention, the decision of the Court below conferring patent monopoly over any of these unpatented fabrics conflicts with the mandate of this Court directing that proceedings conform with the opinion of the Court stating:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how

[15] 365 U. S. 336, Brief for Respondent, pp. 73-76; Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment or Clarification of the Court's Opinion, denied April 17, 1961. 365 U. S. 890.

costly or difficult replacement may be. 365 U. S. at 345.

The interlocutory judgment reversed by this Court embraced unpatented replacement fabrics for both Ford and General Motors cars. The dissenting justices restated the holding of the Court as follows:

> . . . In reversing, the Court holds that there can be no direct infringement (and hence, of course, no contributory infringement) of a combination patent by replacement of any of the components of the patented entity unless (1) such component is itself separately patented or (2) the *entire* entity is rebuilt at one time. Since the fabric cover component of the Mackie-Duluk top was not itself separately patented, and since it constituted but one part of the patented combination, the Court concludes that Aro's supplying of such covers for replacement on cars equipped with respondent's tops did not as a matter of law constitute contributory infringement. 365 U. S. at 370.

The Court thus finally disposed of respondent's rights to patent monopoly over unpatented replacement fabrics for installation in all cars without regard to whether they were Ford or General Motors convertibles, and the Court of Appeals was foreclosed from re-examining the grounds of the Court's disposition. *N. A. A. C. P. v. Alabama*, 360 U. S. 240, 244-45 (1959); *Sibbald v. United States*, 12 Pet. 488, 492 (1838).

The grant to the patentee is the right to exclude others from making, using, or selling the invention, 35 U. S. C. § 154, the invention defined by the patent claims particularly pointing out and distinctly claiming the subject matter regarded as the invention. 35 U. S. C. § 112, *infra* 1a-2a. One must make, use or sell the *patented* invention without authority during the term of the patent to infringe. 35 U. S. C. § 271(a), *infra* 1a. These statutory provisions reflect Congressional approval of the decisions of this

Court for more than 45 years that the patent monopoly is limited to the scope of the patent claims for the term of the patent grant.[16]

Ever since *Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502 (1917) overruled *Henry v. A. B. Dick Co.*, 224 U. S. 1 (1912) this Court has consistently held that the patent monopoly cannot be extended by the patentee to demand that the user of the patented invention purchase unpatented materials necessary for practicing the patented invention from a source designated by the patentee. The Court held in *Motion Picture Patents* that to permit the patentee to "derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used", is "wholly without the scope of the patent monopoly." 243 U. S. at 517.

That the unpatented material happens to be an unpatented element of the patented combination does not draw to it the privileges of a patent. In *Carbice Corp. v. American Patents Dev. Corp.*, 283 U. S. 27 (1931) the Court held that the doctrine of *Motion Picture Patents* is applicable to unpatented material which the patentee-licensor characterizes as a "necessary" or "dynamic" element of the patented combination. And in *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661 (1944) the Court held that the

[16] Just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, "Does the bill change the law in any way or only codify the present laws." Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate replied, "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). The "present patent laws" then included *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502 (1917); *Carbice Corp. v. American Patents Dev. Co.*, 283 U. S. 27 (1931); *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458 (1938); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942); *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661 (1944). "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." *United States v. Loew's, Inc.*, 371 U. S. 38, 46 (1962).

scope of the patent grant conferred upon the owner of a combination patent does not embrace an unpatented appliance, even though it is an essential part of the combination; and that one who supplies such unpatented appliance, even though it was not a common article of commerce, was expressly designed for use in the patented combination, and was characterized by the patentee as the "heart" or distinguishing feature which brought the combination up to the inventive level, might not be held as a contributory infringer.

In his opinion dissenting on procedural grounds Mr. Justice Roberts observed that the purchaser and user of the unpatented appliance for original installation in the patented combination did not infringe the combination patent by virtue of such use and installation of the unpatented element; therefore, one who sold to him could not be amerced for contributing to a non-existent infringement.[17] Nothing in the opinion of the Court indicates any disagreement with this fundamental proposition that the installation, use and sale of an unpatented element is not a "making," "use" or "sale" of the whole patented combination and therefore not an infringement of the combination patent. 35 U. S. C. § 271(a), *infra* 1a.

We cannot see a logical basis for reconciling the decision of the Court below conferring patent monopoly over any unpatented replacement fabric which the Court below characterizes as the "material part" of the patented combination with the decisions of this Court foreclosing combination patentees from exercising monopoly rights over the unpatented dry ice block called the "dynamic" element of the patented combination in *Carbice*,[18] and the unpat-

[17] 320 U. S. at 674.
[18] 283 U. S. at 33.

ented thermostatic switch called the "heart of the invention" in *Mercoid*.[19]

If *Mercoid* forbids the patentee from exercising patent monopoly over an unpatented element for original installation in a patented combination, *a fortiori Aro* should have left no doubt that the patentee has no right to patent monopoly over an unpatented element for replacing a spent one in a patented combination. To sanction such control would be to permit the patentee "to derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies"[20] necessary for its continued use or operation.

The results of the decision of the Court below are to seriously impair the value of the patent claims in letting businessmen know when they infringe a combination patent and to open the door for combination patentees to specify the sources for unpatented "material" parts used in patented combinations without even subjecting that "material" part to the scrutiny of the technically and legally qualified Patent Office experts who conduct the examination required by statute, 35 U. S. C. §§ 131-135, for compliance with formal requirements, 35 U. S. C. §§ 111-122, and minimum standards of patentability established by statute 35 U. S. C. §§ 100-104 and the Constitution.[21] Since the Patent Office conducts its search of the prior art on the subject matter as claimed, or that may in the future properly be claimed[22] and rejects and allows subject matter claimed,[23]

[19] 320 U. S. at 667.

[20] 243 U. S. at 517.

[21] U. S. Const., art. 1 § 8; *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885).

[22] Manual of Patent Examining Procedure, ¶ 904.01(d) (3d ed. 1961).

[23] *Id.* ¶ 760. Patent practitioners representing applicants direct their arguments "to establish the patentability of the claimed invention under the applicable rules of law and in light of the prior art." *Sperry v. Florida*, 373 U. S. 379, 383 (1963).

the Patent Office does not pass upon the patentability of an element, not itself separately claimed, that constitutes one of the elements of the combination upon which the patent is granted.

The court below thus construed the contributory infringement provisions of § 271 inconsistently with the statutory requirements for "particularly pointing out and distinctly claiming" the alleged invention, 35 U. S. C. § 112, and subjecting it to examination by the Patent Office experts. Instead the court below extended the coverage of respondent's combination patent to embrace one of the separate elements in the combination that the patentee never claimed in the application or patent as the invention.

By this construction the combination patentee's right to an additional monopoly in such an unpatented element is determined by judges in federal courts without the benefit of an independent evaluation of its patentability by the Patent Office experts. This construction can only lead to a further expansion of the area of uncertainty which surrounds the scope of every one of the hundreds of combination patents issued each week so that increased litigation may be expected while making it easier for the combination patentee to specify the sources of unpatented "material" parts used in patented combinations.

A corollary of increased litigation is a reduction in the number of small businessmen willing to risk selling unpatented devices which never were and never could be the subject of a patent. A businessman ought to be able to rely on what the publicly available patent document claims is patented in deciding whether he must obtain the patentee's consent before he can make and sell an element for installation in a patented machine without being subjected to the constantly overhanging threat of a suit for patent infringement for the sale of an unpatented article.

It can hardly be doubted that a combination patentee will eagerly classify each unpatented element of the patented combination with significant market potential as a "material" part. Nothing in the language of the statute, its legislative history[24] or the decisions of this Court support this unwarranted expansion of the combination patent monopoly.

II. SINCE RESPONDENT'S ASSIGNOR COULD NOT SUE OWNERS OF FORD CONVERTIBLES FOR DIRECT INFRINGEMENT (AND HENCE PETITIONERS FOR CONTRIBUTORY INFRINGEMENT), RESPONDENT CANNOT STAND IN ANY BETTER POSITION MERELY BECAUSE RESPONDENT'S ASSIGNOR HAD EXPRESSLY RESERVED AND EXERCISED A CLAIMED "RIGHT" TO LICENSE THE MANUFACTURE, USE AND SALE OF THE UNPATENTED REPLACEMENT FABRICS IN A PRIVATE AGREEMENT WITH FORD.

There has never been any disagreement among the members of the Court that without an infringement there can be

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[24] The legislative history shows that the purpose of the contributory infringement provisions was to prevent the Court's decision in *Mercoid v. Mid-Continent Inv. Co.*, 320 U. S. 661, from being treated as having obliterated the law of contributory infringement. MR. JUSTICE BLACK set forth some of this history in his concurring opinion in *Aro*, 365 U. S. at 347-49 nn. 2-4.

The members of the subcommittee in charge of the bill for the House understood that *Amalgamated Dental Co. v. William Getz Corp.*, 90 U. S. P. Q. 339, (N. D. Ill. 1951) represented a proper case of contributory infringement authorized by the proposed statutory provisions. But there the patented combination was a mixture of four chemicals, constituting the material part of the invention, dissolved in the fifth element of the patented combination, water, constituting the immaterial part of the invention. The contributory infringer sold the four dry chemicals to dentists in a package properly proportioned so that when the dentist dissolved the contents in water, he "made" the patented combination consisting of plastic material for taking dental impressions. Hearings before Subcommittee of House Judiciary Committee on H. R. 3760, 82d Cong., 1st Sess. 155-56 (1951). It was made clear to these subcommittee members that the seller of a single one of these unpatented chemicals with full knowledge that it would be combined with the other unpatented elements of the combination to form the patented combination would not be liable as a contributory infringer. *Id.* 161-62.

no contributory infringement.[25] If a patentee consents to the use of a patented machine by the machine owner through license, release or otherwise, the patentee cannot sue that machine owner for direct infringement or anyone else for contributory infringement whose alleged liability is derived from such use by such owner. One royalty to one patentee for one sale of one patented machine is ample reward for whatever contribution the inventor makes in furthering the progress of the useful arts and of science under the patent clause of the Constitution and the patent law.

The basis for respondent claiming additional monopoly rights over unpatented replacement fabrics for Ford cars advanced to this Court during the October Term of 1960 was that the release which its assignor granted to Ford "demonstrated an intention not to release persons like the defendants who had made replacements in the past (I:27)" and "Rights against persons such as Aro were not only *not* released by implication, *but were expressly reserved in paragraph 5 of the Ford agreement* (II:512)."[26] Although the District Court acknowledged that respondent's assignor had released Ford and the individual owners who had purchased Ford convertibles for liability "for past replacements", the District Court construed the private agreement between Ford and respondent's assignor as not releasing "contributory infringers for rights of action already accrued (I:27, 33 n.1)." The District Court accepted petitioners' contention that "if conduct is *clearly* repair the patentee should not be permitted to require payment of royalties therefor (I:27 fn.)."

[25] 365 U. S. at 341, 347, 372.

[26] 365 U. S. 336, Brief for Respondent, p. 75; Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment of Clarification of the Court's Opinion, pp. 10-11.

The Court of Appeals apparently concluded that respondent did have an additional patent monopoly over those unpatented fabrics made and sold by petitioners for replacing spent ones in Ford cars during a period depending upon the terms of the private agreement between respondent's assignor and Ford (R. 85 n. 3). It is true that respondent's assignor expressly reserved in that agreement (DX DD; I:241, II:512) and exercised a claimed "right" to derive additional profits from licensing the manufacture, use and sale of the unpatented replacement fabrics (I:31-32, R. 15-16, 31-33, 40-56). But if there is anything that the Court made clear in *Mercoid*, it is that the combination patent monopoly cannot be expanded by contract to cloak an unpatented element of the patented combination with protection as effective as if a patent had been issued on that element.[27]

III. THE CONDUCT OF RESPONDENT IN AGREEING, COMBINING AND CONSPIRING WITH ITS ASSIGNOR IN A SCHEME INVOLVING THE MANIPULATION OF COMBINATION PATENT RIGHTS TO RESTRAIN TRADE IN UNPATENTED REPLACEMENT FABRICS NOT ONLY BARS RESPONDENT FROM MAINTAINING ANY ACTION FOR DIRECT OR CONTRIBUTORY INFRINGEMENT BUT ALSO VIOLATES AT LEAST SECTION 1 OF THE SHERMAN ACT.

The instant case graphically illustrates the evils of the extension of the combination patent monopoly to embrace unpatented material. This illegal extension not only fails to promote the constitutional and statutory purposes of the patent laws, but also erodes the competitive policy

[27] 320 U. S. at 667.

fundamental to our free enterprise system sought to be promoted by the antitrust laws, a policy consistently approved and strengthened for more than half a century by Congress. The struggle here is not over the convertible top automatic folding mechanisms covered by the two combination patents and the right to make and use such devices. The contest is solely over unpatented fabrics which replace spent ones in the patented automatic folding tops. The competition which is sought to be controlled is not competition in the patented assemblies but merely competition in the sale of the unpatented replacement fabrics. The two combination patents have been employed to protect the market for unpatentable replacement fabrics on which no patent has or could have been granted. But for the patent such restraint on trade would plainly run afoul of the antitrust laws. If the restraint is lawful because of the patent and the private agreements among respondent, its assignor, and its assignor's licensees, the federal courts will have approved the expansion of two combination patent monopolies by contract. An element on which no patent has been or could be obtained has been afforded monopoly rights by the court below as effective as if a patent on the element had been issued. Respondent's assignor has functioned as its own Patent Office and imposed its own law upon its licensees, having obtained by contract what letters patent alone may grant. The decision of the court below expanding respondent's combination patent to embrace any unpatented replacement fabrics carves out exceptions to the antitrust laws which Congress has not sanctioned and this Court has consistently forbidden.

A. THE COURT OF APPEALS DEPARTED FROM THE ACCEPTED RULE THAT AN APPELLEE MAY URGE ANY GROUNDS SUPPORTING A FAVORABLE JUDGMENT BELOW WHEN THE COURT OF APPEALS REFUSED TO CONSIDER RESPONDENT'S INEQUITABLE CONDUCT AS SUPPORTING THE FINAL JUDGMENT OF THE DISTRICT COURT DISMISSING RESPONDENT'S COMPLAINT FOR PATENT INFRINGEMENT.

Although the record was filled with evidence that respondent had agreed, combined and conspired with its assignor in a scheme involving the licensing of the manufacture, use and sale of unpatented replacement fabrics logically indistinguishable from the scheme condemned by this Court in *Mercoid* as a misuse of patents and violation of the antitrust laws,[28] the court below refused to consider respondent's inequitable conduct as a basis for supporting the judgment of the District Court in dismissing respondent's complaint for patent infringement. Conduct involving the extension of the patent monopoly to restrain trade in any way in unpatented supplies bars the patentee from

[28] The conspiracy in violation of §1 of the Sherman Act, *infra* 3a, arises implicitly from the course of dealing of the parties, here resulting in respondent enforcing the patent against petitioners to the benefit of respondent's assignor and its licensees. *United States v. Singer Mfg. Co.*, 374 U. S. 174 (1963). The attempt to monopolize the substantial market for unpatented replacement fabrics violates §2 of the Sherman Act, *infra* 3a. *United States v. Griffith*, 334 U. S. 100, 106-08 (1948). And when the patentee conditions its consent to the use of the convertible automobile after the fabric is spent (R. 25) on the car owner refusing to deal in a replacement fabric manufactured by a company not "licensed" under the patentee's combination patent, §3 of the Clayton Act, *infra* 4a is violated. *Times-Picayune Publishing Co. v. United States*, 345 U. S. 594, 608-09 (dictum) (1953); *International Salt Co. v. United States*, 332 U. S. 392, 396 (1947).

We also believe that §7 of the Clayton Act, *infra* 5a, was violated both when respondent's assignor obtained the Mackie-Duluk combination patent from General Motors and when respondent obtained the "Massachusetts Territorial Grant" from its assignors. It can hardly be doubted that these acquisitions of corporate assets had the effect of substantially lessening competition in and tending to create a monopoly in the unpatented replacement fabrics.

maintaining an action for either direct or contributory infringement even if that conduct does not amount to a violation of the antitrust laws;[29] *a fortiori* the antitrust-law-violating respondent can maintain no infringement action against anyone.

By refusing to even consider respondent's inequitable conduct as a basis to support the final judgment in favor of petitioners as appellees in the court below, the Court of Appeals departed from the established rule of law that an appellee may point to any portion of the record and urge any grounds in support of the judgment rendered in its favor below. *E. g., Jaffke v. Dunham*, 352 U. S. 280 (1957); *Anderson v. Atherton*, 302 U. S. 643 (1937); *Langnes v. Green*, 282 U. S. 531, 538-39 (1931); *United States v. American Ry. Exp. Co.*, 265 U. S. 425, 435 (1924). This settled rule applies even if the grounds urged had not been raised before on a prior appeal from an interlocutory judgment. *United States v. U. S. Smelting Co.*, 339 U. S. 186, 198-199 (1950).

The doctrine of patent misuse is nothing more than an application of the equitable principle that he who would invoke equity must do equity.[30] In applying the doctrine to bar a patentee from maintaining a suit for infringement of the patented invention in *Precision Co. v. Automotive Co.*, 324 U. S. 806 (1945) because of the inequitable conduct of the patentee in an interference proceeding before the Patent Office seeking unlawfully broad patent coverage, the Court explained that

> a patent is an exception to the general rule against monopolies and to the right to access to a free and open

[29] *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942).

[30] For a discussion of the assimilation of the "clean hands" maxim to the maxim "He who seeks equity must do equity," particularly in relation to patent misuse, see *Chafee, Some Problems of Equity*, 55-61, 100 (1950).

market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. 324 U. S. at 816.

B. THE ESTABLISHMENT OF RESPONDENT AS A SHELL CORPORATION FOR USE AS A SWORD TO SUE ONLY THESE PETITIONERS AND AS A SHIELD TO KEEP THE REAL PARTIES IN INTEREST FROM EVEN BEARING COURT COSTS WHILE ITS ASSIGNOR EXACTED TRIBUTE FROM LICENSING THE MANUFACTURE, USE AND SALE OF UNPATENTED REPLACEMENT FABRICS IS INCONSISTENT WITH THE REQUIREMENT THAT "PATENT MONOPOLIES SPRING FROM BACKGROUNDS FREE FROM FRAUD OR OTHER INEQUITABLE CONDUCT AND THAT SUCH MONOPOLIES . . . [BE] KEPT WITHIN THEIR LEGITIMATE SCOPE."

The record establishes a concerted course of conduct involving respondent and its assignor to illegally restrain trade in unpatented replacement fabrics, unpatented fabrics which the lawyer of respondent's assignor said:

> . . . [W]e would have the right to arrive at royalty and otherwise consider as patented the replacement top . . . within the bounds of our patent, because any release that was granted obviously runs out when the original fabric wears out and is replaced (R. 25).

Respondent's assignor reserved the "right" under both combination patents to license the "manufacture, use and sale of replacement top fabrics" in its agreement with Ford (DX DD; I:241, II:512) and exercised that "right"

(I:31-32, II:617-22, R. 15-18, 22-23, 25, 27, 31-33, 40-49, 49-50, 52-53).

The concerted acts of respondent and its assignor in forming this respondent as a shell corporation for the purpose of commencing and maintaining this suit against these Massachusetts petitioners while its assignor collected royalties through agreements licensing unpatented replacement fabrics under two combination patents can hardly be questioned. Respondent was formed (R. 13), received from its assignor a "Territorial Grant" limited to Massachusetts in only the combination patent in suit (I:7) and instituted this action (I:1) in the Massachusetts District Court, all in the single month of April 1956. Respondent never paid its assignor anything for the "Massachusetts Territorial Grant" other than a promise to pay $10,000.00 which so far as the record shows remains unpaid (R. 20, 59). For consideration of a dollar respondent conveyed to its assignor the right to grant licenses and releases under the "Massachusetts Territorial Grant" (R. 36-37). And ten days after the Court of Appeals had affirmed the interlocutory judgment of the District Court in favor of respondent, its assignor assigned the rest of the rights in the Mackie-Duluk combination patent to respondent to help respondent "increase its bets, now that its horse is out in front, and the race in all probability over (R. 39)."

Although respondent then owned all rights in the Mackie-Duluk combination patent, we informed the District Court that even after the Opinion of this Court, correspondence on the letterhead of Moore and Hall over the signature of William D. Hall, respondent's assignor's patent lawyer, demanded royalty payments alleged to be still required by agreements licensing replacement fabrics

under both the Mackie-Duluk and Ackerman's combination patents (R. 62-63). In a letter to us dated September 12, 1961 following the statement on respondent's financial condition (R. 58-59) filed on May 22, 1961, on the same letterhead of Moore and Hall over the signature of Elliot I. Pollock, it was stated that "it should now be clear to you that . . . any judgment entered against Plaintiff would be of little monetary value to the Defendants (R. 63)." And respondent evaded supplying information concerning its assignor's dealings during discovery by claiming to be "not informed as to the correct answer" to petitioners' interrogatory (R. 15).

The assertion by William D. Hall that respondent's assignor is entirely distinct from respondent because the officers, directors and stockholders are different (R. 24) is a veil of separation whose transparency is revealed by the acts enumerated above. Moreover, two of three patent lawyers in a three man patent law partnership represent respondent's assignor (R. 18, 25, 31) and the third member of that partnership represents respondent. And the three directors of respondent's assignor are one of these three patent lawyers, his wife and the wife of a second of these three lawyers (R. 19, 22).

By these activities the respondent, engaged in an illegal restraint of trade in unpatented replacement fabrics, breaches the uncomprising duty of a patentee to keep patent monopolies within their legitimate scope. This breach of duty is aggravated here by using this respondent as a sword for the real parties in interest to bring this suit against only these petitioners while insulating its assignor from discovery (R. 15) and acting as a shield from liability (R. 63) by leaving petitioners an assetless shell (R. 58-59) incapable of even paying the costs assessed more than two years ago by this Court (R. 7).

Additional evidence in support of misuse and other inequitable conduct of respondent first entered the record after the Court of Appeals had affirmed the interlocutory judgment. After this affirmance but before all the evidence and exhibits had been received in the accounting hearings (R. 6) conducted at the insistence of the respondent, the District Court did not consider itself foreclosed from considering respondent's inequitable conduct in its memorandum of October 2, 1959 where it said:

> While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plaintiff's ingenuous-appearing explanations as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over. . . .
>
> I might make two observations, in passing. The first is that it does not at all follow that any judgment in the present suit in plaintiff's favor will mean that a later action on its new rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent (R. 38-39).

The decisions of this Court have consistently emphasized the importance of the public interest involved in a patent infringement suit. Respondent asked this Court and the Courts below to affirm that portion of the interlocutory judgment enjoining petitioners from selling unpatented replacement fabrics for Ford cars (R. 57-58, 60). But in the words of the Court in *Mercoid*,

> Should such a decree be entered, the Court would be placing its imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws. It would aid in the consummation of a conspiracy to expand a patent beyond its legitimate scope. But patentees and licensees cannot secure aid from the Court to bring such an event to pass, "unless it is in accordance with policy to grant that

> help." . . . . And the determination of that policy is not "at the mercy" of the parties . . . . "Where an important public interest would be prejudiced," the reasons for denying injunctive relief "may be compelling." . . . . That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement, where the patent was being misused. 320 U. S. at 670.

There the Court ruled that the alleged contributory infringer selling the unpatented appliances for original installation in the patented combination could raise misuse as a defense for the first time in a second law suit between the patentee and the alleged contributory infringer although the alleged contributory infringer allowed a prior suit which it defended against the patentee to reach final judgment without raising misuse. If the public policy involved is strong enough so that a final judgment in a first law suit between the patentee and the alleged contributory infringer does not bar the alleged contributory infringer from raising the misuse defense in a second law suit, *a fortiori* that policy required the court below to consider misuse as an alternative basis in support of the judgment dismissing respondent's complaint when the defense was argued and briefed on a first appeal from an interlocutory judgment that was reversed by this Court and urged as an alternate ground in support of the final judgment entered by the District Court.

The Eighth Circuit Court of Appeals has correctly applied the principles in *Mercoid* in holding that the policy of uncovering and preventing misuse of patents is so great that a court must on its own motion consider misuse whenever it learns of it in any way and refuse to enforce patent rights of a patentee engaged in misuse. *Frank Adams Elec. Co. v. Westinghouse Elec. Mfg. Co.*, 146 F. 2d 165,

167 (8th Cir. 1945). That case cites *Bell & Howell Co. v. Bliss*, 262 Fed. 131 (7th Cir. 1919) where the doctrine of unclean hands barred a patentee with an interest assigned by a real party in interest just to bring the suit from maintaining the suit. The latter case seems to be particularly in point here where the respondent patentee obviously has an interest assigned by the real party in interest just to bring and maintain this suit.

One of the most effective safeguards for vindicating the dominant public interest in the administration of the patent system has been the refusal of the courts to lend their aid in any way to the enforcement of patent rights where the patents have been misused to subvert public policy. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, 494 (1942); see *Carbice Corp. v. American Patent Dev. Corp.*, 283 U. S. 27 (1931); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502 (1917); *Pope Mfg. Co. v. Gormully*, 144 U. S. 224 (1892). We believe that the court below failed to give adequate recognition in this case to the public importance of the misuse doctrine, and to applicable decisions of this Court. The result of allowing that decision to stand would be an unwarranted narrowing of the scope of the doctrine with a consequent erosion of the competitive policy underlying the doctrine's existence.

IV. SINCE THE RECORD ESTABLISHES THAT RESPONDENT HAS AGREED, COMBINED AND CONSPIRED WITH ITS ASSIGNOR TO ASSERT PATENT MONOPOLY OVER MORE THAN $2,000,000 WORTH OF UNPATENTED REPLACEMENT FABRICS IN VIOLATION OF THE ANTITRUST LAWS AND HARMED PETITIONERS, FED. R. CIV. P. 54(c) REQUIRED THAT THE FINAL JUDGMENT GRANT PETITIONERS THE RELIEF OF TREBLE DAMAGES TO WHICH THEY WERE ENTITLED, REGARDLESS OF THE PRAYER FOR RELIEF IN PETITIONERS' PLEADING.

The monopoly in the sale of certain unpatented replacement fabrics sought to be vested in licensees of respondent's assignor through the expansion of combination patent monopolies is a result logically indistinguishable from that condemned in the *Mercoid* cases as a violation of the antitrust laws. "The legality of any attempt to bring unpatented goods within the scope of the patent monopoly is measured by the anti-trust laws, not the patent laws." *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684 (1944).[31]

The parallel between the instant case and *Mercoid* is strikingly similar except that the instant case is a more flagrant violation of the antitrust laws. There the struggle was not over the right to make and vend the patented heating system combination, but over the right to make

[31] It is "unreasonable *per se* to foreclose competitors from any substantial market. . . . The volume of business affected by these contracts [$500,000 worth of unpatented salt in a single year for use in a dispensing machine covered by a combination patent] cannot be said to be insignificant or insubstantial and the tendency of the arrangement to accomplishment of monopoly seems obvious." *International Salt Co. v. United States*, 332 U. S. 392, 396 (1947). The more than $2,000,000.00 worth of replacement fabric business affected by the suing and licensing scheme of respondent and its assignor cannot be said to be insignificant or insubstantial and the tendency of the scheme to accomplishment of monopoly seems obvious.

and vend the unpatented thermostatic switches for *original* installation in patented systems assembled without the consent of the patentee. Here, the struggle is not over the right to make and vend the patented automatic folding top mechanisms of the convertible automobiles, but over the right to make, vend and install the unpatented fabrics for *replacement* installation in machines manufactured, sold and used with the patentee's consent. To obtain that consent Ford paid respondent's assignor $73,000.00 for a release under both combination patents (DX DD; I:241, II:510-11). General Motors reached a settlement of a lawsuit with respondent's assignor (PX 9a, R. 26, I:473) involving the Ackermans combination patent. And General Motors, as owner of the Mackie-Duluk combination patent, derived its reward from the profit associated with the sale of each General Motors convertible covered by that patent.

Although the Court recognized in the second *Mercoid* case that the agreements licensing unpatented thermostatic switches also included illegal price fixing provisions, the Court expressly said:

> For the reasons stated in *Mercoid v. Mid-Continent Investment Co., supra*, the effort here made to control competition in this unpatented device plainly violates the antitrust laws, even apart from the price-fixing provisions of the license agreements. It follows that petitioner is entitled to be relieved against the consequences of those acts. *Mercoid v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684 (1944).

The effort here made to control competition in these unpatented replacement fabrics violates the antitrust laws more plainly. The patent laws do not authorize, and the Sherman act prohibits such efforts among combination patentees to encroach upon the public domain and usurp

the market for unpatented replacement parts to royalty-paying licensees.

A. PETITIONERS PLEADED A CAUSE OF ACTION UNDER THE ANTITRUST LAWS BY ALLEGING THAT RESPONDENT'S ASSIGNOR WAS A PARTY TO AT LEAST ONE LICENSING AGREEMENT "IMPROPERLY EXTENDING THE SCOPE OF THE CLAIMED SUBJECT MATTER" OF THE PATENT IN SUIT AND "HAS THEREBY MISUSED SAID PATENT AND HAS IMPROPERLY RESTRAINED COMMERCE."

The court below dismissed petitioners' contention as appellants below that the final judgment should have relieved petitioners of the consequences of respondent's antitrust law violations because petitioners "never pleaded a cause of action under the antitrust laws (R. 87)." But the Court said in *Foman v. Davis*, 371 U. S. 178, 182 (1962):

> If the underlying facts or circumstances relied upon by a . . . [pleader] may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits.

Surely petitioners' original pleading alleging that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained commerce (R. 10-11)" sets forth underlying facts or circumstances which are a proper subject of relief under the antitrust laws.

B. IT IS IMMATERIAL THAT PETITIONERS' PLEADING DID NOT INCLUDE A SPECIFIC PRAYER FOR TREBLE DAMAGES BECAUSE FED. R. CIV. P. 54(c) EXPRESSLY PROVIDES THAT "EVERY FINAL JUDGMENT SHALL GRANT THE RELIEF TO WHICH THE PARTY IN WHOSE FAVOR IT IS RENDERED IS ENTITLED, EVEN IF THE PARTY HAS NOT DEMANDED SUCH RELIEF IN HIS PLEADINGS."

Long before the Federal Rules of Civil Procedure came into existence this Court recognized that a pleader in equity, under a general prayer for relief, should receive that relief to which he may be entitled upon the facts plainly stated in the bill, even though obtained under a different theory than that advanced in a special prayer. *Lockhart v. Leeds*, 195 U. S. 427, 436-37 (1904). Rule 54(c) advances the policy behind that ruling by directing that final judgments give the prevailing party the relief to which he is entitled even if that party didn't ask for that relief in his pleading. After explaining that the provisions of Rule 54(c) apply to defending parties as well as claimants for relief, Professors Moore and Vestal summarized the provisions by saying, "In brief, it is the duty of the court to grant the relief to which a party is entitled regardless of the prayer for relief in the pleadings."[32] And the relief to which a prevailing party is entitled upon final judgment is that relief authorized under the law applied to the facts established by the record.[33]

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[32] *Moore and Vestal*, MOORE'S MANUAL—FEDERAL PRACTICE AND PROCEDURE, § 25.03[8] (1962).

[33] *Farmer v. Arabian American Oil Co.*, 285 F. 2d 720, 722 n.2 (2d Cir.), *cert. denied*, 364 U. S. 824 (1960); *Fanchon & Marco, Inc. v. Paramount*

(Footnote continued on following page)

Where, as here, petitioners are entitled under the law applied to the facts of record to a judgment holding the respondent liable for violation of the antitrust laws, carrying out the directions of Rule 54(c) advances the policy of the antitrust laws in promoting free competition in unpatented goods so that the public obtains the best goods at the lowest price free from the hidden taxes and restrictions on sources which combination patentees frequently seek. The threat of the private antitrust action for treble damages is probably the most effective deterrent to participation in antitrust law violation. If owners of combination patents realize that employing federal courts as an aid for restraining trade in unpatented goods will lead to liability for treble damages, the chances of other owners of combination patents repeating the illegal activities apparent in this record are greatly reduced. The activities which we brought to the attention of the District Court following the decision of the Court demonstrate that apparently even an opinion from the Supreme Court of the United States telling a patentee that a combination patent does not give the patentee an additional monopoly over unpatented replacement elements is insufficient to persuade the patentee to keep its combination patent monopolies within their legitimate bounds. For respondent's assignor continued to demand royalties called for by an agreement licensing replacement fabrics under both combination patents (R. 62-64), even though it had previously assigned all rights in one of them to respondent (R. 34).

(Footnote continued from preceding page)

Pictures, 202 F. 2d 731, 734 (2d Cir. 1953); *Ring v. Spina*, 148 F. 2d 647, 653 (2d Cir. 1945), 166 F. 2d 546, 549 (2d Cir.), *cert. denied*, 335 U. S. 813 (1948); *Hawkins v. Frick-Reid Supply Corp.*, 154 F. 2d 88, 89 (5th Cir. 1946); *Dann v. Studebaker-Packard Corp.*, 288 F. 2d 201, 216-17 nn. 48-51 (6th Cir. 1961); *Kansas City, St. L. & C. R. R. Co. v. Alton R. R. Co.*, 124 F. 2d 780 (7th Cir. 1941); *Whittaker v. Wall*, 226 F. 2d 868, 872 (8th Cir. 1955); *Jones v. Ingling*, 303 F. 2d 438 (9th Cir. 1962); *Neff v. Western Cooperative Hatcheries*, 241 F. 2d 357, 363 (10th Cir. 1957); *Keiser v. Walsh*, 118 F. 2d 13, 14 (D. C. Cir. 1941).

The private antitrust action is a vital supplement to the limited resources at the disposal of the Government for enforcing compliance with the antitrust laws. The Government must necessarily concentrate most of its efforts in policing the large industries. Small industries must therefore depend primarily on the private antitrust action for eliminating antitrust law violations. The federal courts have a duty to help police small industries for antitrust law violations by awarding injured parties treble damages whenever an antitrust law violation apparent in the record is brought to the attention of the court prior to final judgment. If those who would exploit small industries realized that even relatively small-scale violations of the antitrust laws brought to the attention of a federal court will subject them to treble damages, few would risk such illegal activities. The courts below have breached this duty to the public by refusing to apply the antitrust laws to the illegal restraint of trade in unpatented replacement fabrics established by the record.[34]

[34] The record is incomplete as to the total damages suffered by petitioners resulting from the antitrust law violations but does show at least a portion of the legal expenses incurred in defending this suit (R. 69). And every court of appeals faced with the question has decided that legal expenses incurred in defending a patent infringement suit brought in violation of the antitrust laws are trebled and awarded to the party sued. *Dairy Foods, Inc. v. Dairy Maids Products Cooperative*, 297 F. 2d 805, 809 (7th Cir. 1961); *Switzer Bros., Inc. v. Locklin*, 297 F. 2d 39, 47 (7th Cir. 1961), *cert. denied*, 369 U. S. 851 (1962); *Clapper v. Original Tractor Cab Co.*, 270 F. 2d 616, 624 (7th Cir. 1959), *cert. denied*, 361 U. S. 967 (1960); *Kobe, Inc. v. Dempsey Pump Co.*, 198 F. 2d 416, 424-26 (10th Cir.), *cert. denied*, 344 U. S. 837 (1952). "And while the subject matter of the controversy and the parties are before the court, it has jurisdiction to enforce restitution and so far as possible correct what has been wrongfully done." *B. & O. R. R. Co. v. United States*, 279 U. S. 781, 786 (1929).

V. THE CONSTRUCTION OF THE CONTRIBUTORY INFRINGEMENT PROVISIONS BY THE COURT BELOW CONFERRING PATENT MONOPOLY OVER REPLACEMENTS FOR THE FABRIC ELEMENT IS UNCONSTITUTIONAL BECAUSE THE FABRIC ELEMENT IS NOT THE DISCOVERY OF AN INVENTOR.

The Constitution authorizes Congress to pass legislation securing to an inventor the exclusive right to his discovery for a limited time. U. S. Const., art. I § 8. It therefore follows that any subject matter sought to be exclusively appropriated under the patent laws enacted by Congress must meet the constitutional standard that it be the discovery of an inventor. *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885). The fabric element of respondent's combination patent does not meet this constitutional standard. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 361-62 (concurring opinion of Mr. Justice Black). The Court of Appeals stretched the scope of the contributory infringement provisions in 35 U. S. C. § 271(c) beyond the limits permitted by the Constitution in finding authority in these provisions for respondent to exercise patent monopoly over any replacement for the spent fabric element for any length of time.

Only a fragment of the fabric is illustrated in the patent drawing (PX 1, I:104, II:589-91). The General Motors attorneys never remotely suggested that the fabric itself was an invention. They said, "The real invention is fastening the folding material considerably below the top of the tonneau and then using a wiping arm automatically operated by the bow structure for wiping the inside of the folding material as the top is raised and pressing it against the top of the tonneau (PX 2; I:104, II:445)."

Nothing in the record lends any support to a conclusion that the fabric element is a discovery of an inventor.

Quite to the contrary, the prior art of record shows the fabric element. Figs. 9 and 10 of the prior art (I:29) Ackermans patent (DX GG: I:267, II:571) show a fragmentarily illustrated top fabric **126** having a flap **130** carrying seals **128** that contact the inner edge of the automobile body at and below the belt line **121** to minimize the seepage of water through the juncture between the top and the body of the vehicle and direct water seeping through the juncture between the top and the body to the rain trough **124**. And Fig. 3 (II:581) and Fig. 10 (II:583) of the prior art Best patent (DX GG: I:267) show a top fabric **18** having downwardly extending side panels **20** which are snap fastened by the moveable parts **59** and the pins **58** to secure the top fabric to the inside of the body at these points. A fabric element shown in the prior art cannot be the discovery of an inventor who claims as his invention a combination of elements including the fabric.

VI. TO HOLD A PATENT VALID WHEN AN INFRINGEMENT ACTION CANNOT BE MAINTAINED IS TO DECIDE A HYPOTHETICAL QUESTION.

Since the final judgment of the District Court dismissing respondent's complaint for patent infringement is correct for any of the reasons advanced above, the validity of respondent's patent is a hypothetical question unnecessary to support that portion of the final judgment. The District Court correctly followed *Elec. Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241 (1939).

In *Altvater v. Freeman*, 319 U. S. 359, 363 (1943), the Court explained that to hold a patent valid when it is not

infringed is to decide a hypothetical question, citing *Cover v. Schwartz*, 133 F. 2d 541, 545-47 (2d Cir.), *cert. denied*, 319 U. S. 748 (1943) where Judge Frank concluded that to do so was unconstitutional. This conclusion was repeated in *Katz v. Horni Mfg. Corp.*, 145 F. 2d 961, 962 n. 4 (2d Cir. 1944), *cert. denied*, 324 U. S. 882 (1945).[35] *Altvater* and *Katz* indicate that a judgment can hold a patent invalid when it is not infringed. The Constitution would not seem to prohibit a finding of invalidity which would serve as an alternate basis for the judgment in favor of the alleged infringer, for a finding that independently supports a judgment is not moot.

And the public has an interest in having a court void an invalid patent because:

> The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe such a patent, even though no infringement suits may be immediately threatened. Potential purchasers may naturally be reluctant to establish business relations upon so insecure a basis. *Altvater v. Freeman*, 319 U. S. 359, 371 (dissenting opinion of MR. JUSTICE FRANKFURTER).

But it is against public policy to buttress the statutory presumption of validity, 35 U. S. C. § 282, by rendering an advisory adjudication that a patent is valid, an adjudication having no bearing on the final disposition of the action. We believe that the constitutional provision conferring jurisdiction on federal courts to adjudicate only cases arising under the laws and Constitution of the United States forbids such an advisory adjudication. U. S. Const., art. III, § 2; *Marbury v. Madison*, 1 Cranch 137 (1803) (by implication); *Bickel, The Passive Virtues*, in 75 HARV. L. REV. 40, 42 (1961).

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[35] While unclear as to whether a court is required to adjudicate the validity or invalidity of a patent in a case before it, the Ninth Circuit Court of Appeals followed *Electrical Fittings. Lockwood v. Langendorf United Bakeries, Inc.*, 139 U. S. P. Q. 220, 227 (9th Cir. 1963).

Since the effect of a judgment in a case extends beyond the interests of the immediate litigants to guiding the conduct of many people, public policy demands that the possibility of such a judgment outlining erroneous guides to conduct be kept to a minimum. By restricting the courts to deciding concrete questions which support the judgment disposing of the litigation, the courts must focus their attention on the relevant considerations advanced by the parties and drawn from the extensive experience of mature judges to decide the concrete questions within a concrete factual background where the practical effect of the decision in at least one realistic setting is apparent. While it may not be a failure-safe procedure, there is much less chance that courts will define erroneous guides to conduct than if they try to also adjudicate hypothetical questions unnecessary to disposing of the litigation.

CONCLUSION

The judgment of the Court of Appeals should be reversed with instructions to reinstate the judgment of the District Court insofar as it holds the patent not infringed or contributorily infringed with no findings of validity and order the District Court to award petitioners treble damages and counsel fees for respondent's violation of the antitrust laws.

Respectfully submitted,

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CHARLES HIEKEN,
Counsel for Petitioners.

NOVEMBER 1963.

APPENDIX A

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such product, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. 35 U. S. C. § 271.

Appendix A

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most clearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. 35 U. S. C. § 112.

§ 282. Presumption of validity; defenses

A patent shall be presumed valid. The burden of establishing invalidity of the patent shall rest on a party asserting it.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition of patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

ANTITRUST LAWS

Sherman Act

Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . 69 Stat. 282, 15 U. S. C. § 1.

Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. 69 Stat. 282, 15 U. S. C. § 2.

Sec. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between

any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is hereby declared illegal. . . . 69 Stat. 282, 15 U. S. C. § 3.

Sec. 8. That the word "person", or "persons", wherever used in this act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country. 26 Stat. 210, 15 U. S. C. § 7.

Clayton Act

Sec. 3. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodity of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create

a monopoly in any line of commerce. 38 Stat. 731, 15 U. S. C. § 14.

Sec. 4. That any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. 38 Stat. 731, 15 U. S. C. § 15.

Sec. 7. . . . [N]o corporation engaged in commerce shall acquire . . . any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly. . . . 64 Stat. 1125, 15 U. S. C. § 18.